

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1988, as amended. Filing is mandatory.

19-2010

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Dewitt		County Clinton
Audit Date June 30, 2004	Opinion Date October 15, 2004	Date Accountant Report Submitted to State: December 20, 2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes to the report of comments and recommendations

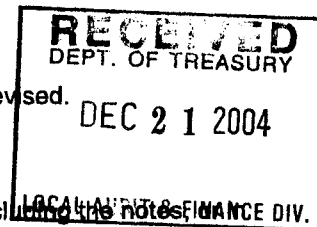
You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Layton and Richardson P.C.			
Street Address 1000 Coolidge Rd		City E Lansing	State MI
Accountant Signature Michael A. Cravich, CPA		ZIP 48823	



CITY OF DEWITT, MICHIGAN

CLINTON COUNTY

JUNE 30, 2004

OFFICIALS

Mr. Paul Opsommer

Mayor

Mr. Jim Lancaster

Mayor Pro-Tem

Ms. Sue Erickson

Council Member

Mr. Ray Knick

Council Member

Mr. Jim Rundborg

Council Member

Mr. David Hunsaker

Council Member

Mr. Ken Ross

Council Member

Mr. Jason Eppler

City Administrator

Ms. Denice Smith

City Clerk

Ms. Lisa Gysen

City Treasurer

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Layton & Richardson, P.C.

Certified Public Accountants

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

David Layton, CPA
Principal
DaveLayton@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.com

Marjorie L. Bucklin, CPA
Manager
Margie@LNRCPA.com

Brenda L. Seelman, CPA
Manager
Brenda@LNRCPA.com

Annette B. Layton
Office Manager
Ann@LNRCPA.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of DeWitt, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of DeWitt, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of DeWitt, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the City of DeWitt, Michigan adopted the provision of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of July 1, 2004.

The management's discussion and analysis and the required supplementary information on pages 3 through 8 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of DeWitt, Michigan's basic financial statements. The accompanying introductory section, and supplemental financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2004, on our consideration of the City of DeWitt, Michigan's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report considering the results of our audit.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
October 15, 2004

CITY OF DEWITT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the City of DeWitt's (the City's) financial performance which provides an overview of the activities for FY 03-04. Please read this document in conjunction with the transmittal letter at the front of this report and with the City's financial statements, which follow this section. Since FY 03-04 represents the first year in which the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides few comparisons with the previous year. Future reports are required to include extensive comparisons.

HIGHLIGHTS

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported combined ending balances of \$1,567,699. Of this total, \$995,000 was General Fund fund balance.
- The City's total debt rose during the fiscal year to \$1,251,005, which is an increase of \$100,000 due to the loan for the purchase of the Thiel Property.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

For the first time, this report includes government-wide financial statements as required by GASB Statement No. 34.

Government-wide Statements (Reporting the City as a Whole)

The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City, as a whole, and about its activities that should help answer this question, "Is the City, as a whole, financially better off or worse off as a result of this year's activities?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The Statement of Net Assets (page 9) presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (pages 10 and 11) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

CITY OF DEWITT

Both statements report three activities:

- *Governmental Activities* – Most of the City's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The legislative and general government operations of the City fall within the governmental activities.
- *Business-type Activities* – The City charges fees to customers to help it cover all or most of the cost of certain services it provides. Sewer, Refuse, Parking Tickets, and Cemetery Lot Sales are examples of business-type activities.
- *Discretely Presented Component/Blended Units* – Component/Blended units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Building Authority is reported as a blended unit and The Downtown Development Authority is reported as a discretely presented component unit of the City.

Fund Financial Statements (Reporting the City's Major Funds)

The fund financial statements begin on page 12 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, page 58 begins the individual fund data for the non-major funds. The City's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- *Governmental funds* -- Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund, special revenue, capital project, debt service, and permanent funds.
- *Proprietary funds* -- When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the Sewer and Water Fund. Internal service funds report activities that provide supplies and services for the City's other programs and activities - such as street maintenance and snow removal. Internal service funds are reported as governmental activities on the government-wide statements.

CITY OF DEWITT

Permanent funds – The City is responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's permanent activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 82. These funds, which include, private-purpose and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the City to finance its operations.

Additional Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules reconciling the statutory and generally accepted account principles (GAAP) fund balances at fiscal year-end, and condition and maintenance data regarding certain portions of the City's infrastructure.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds, and non-major discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements, are not reported individually, on the governmental fund financial statements.

FINANCIAL ANALYSIS FOR THE CITY AS A WHOLE

The City's combined net assets increased by \$450,197 during the fiscal year. The net assets for governmental activities increased \$627,511 or 12% and the business-type activities decreased \$177,314 or 3%.

Net Assets as of June 30, 2004

	Governmental Activities	Business-type Activities	Total Primary Government
Total Assets	\$6,053,349	\$6,297,970	\$12,351,319
Liabilities	\$1,003,010	\$ 102,918	\$ 1,105,928
Net Assets			
Invested in capital Assets, net of Related debt	\$3,434,361	\$4,227,559	\$ 7,661,960
Unrestricted	\$1,615,978	\$1,967,453	\$ 3,583,431
Total Net Assets	\$5,050,339	\$6,195,052	\$ 11,245,391

The largest component (67.8%) of the City's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets.

CITY OF DEWITT

The following condensed financial information is derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the year:

Changes in Net Assets For the Fiscal Year Ending June 30, 2004

	Governmental Activities	Business-type Activities	Total Primary Government
Revenues			
Program Revenues			
Charges for Service	\$328,549	\$538,342	\$866,891
Operating Grants and Contributions	\$731,325		\$731,325
General Revenue			
General Taxes	\$1,585,325		\$1,585,325
Fines & Forfeitures	\$2,690		\$ 2,690
Miscellaneous	\$337,277	\$53,786	\$391,063
Unrestricted Investment Earnings	\$29,598	\$31,491	\$61,089
Loss on Sale of Capital Assets	(\$14,685)	(\$10,605)	(\$25,290)
Transfers	\$23,668	(\$23,668)	
Total Revenues	<u>\$3,023,747</u>	<u>\$589,346</u>	<u>\$3,613,093</u>
Expenses			
Legislative	(\$26,852)		(\$26,852)
General Government	(\$799,159)		(\$799,159)
Public Safety	(\$756,561)		(\$756,561)
Public Works	(\$594,445)		(\$594,445)
Culture & Recreation	(\$180,122)		(\$180,122)
Other	(\$280)		(\$280)
Interest on Long-term Debt	(\$38,817)		(\$38,817)
Water/Sewer	(\$766,660)		
Total Expenses	<u>\$2,396,236</u>	<u>\$766,660</u>	<u>\$3,162,896</u>
Change in Net Assets	\$627,511	(\$177,314)	\$450,197
Net Assets July 1	\$4,422,828	\$6,372,366	\$10,795,194
Net Assets June 30	<u>\$5,050,339</u>	<u>\$6,195,052</u>	<u>\$11,245,391</u>

CITY OF DEWITT

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for governmental activities (including internal service fund assets as of June 30, 2004, amounts to 3,685,356 (net of depreciation). This investment in capital assets includes land, buildings, improvements, machinery/equipment, and infrastructure.

City of DeWitt's Capital Assets (net of depreciation) Governmental Activities	
Land	\$552,810
Buildings	\$775,224
Improvements	\$28,621
Machinery/Equipment	\$225,803
Infrastructure	<u>\$2,102,898</u>

\$3,685,356

Additional information on the City's capital assets can be found in Note 3 on pages 41 and 42 of this report.

Long-Term Debt: Outstanding Long-term Debt as of June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Clinton Co Water Supply		\$100,029	\$100,029
Clinton County Sanitary Sewer	\$55,995		\$55,995
1998 MI Transportation	\$100,000		\$100,000
Building Authority	\$695,000		\$695,000
Installment Purchase	\$100,000		\$100,000
Accumulated Compensated Absences	\$ 17,299		<u>\$ 17,299</u>
	<u>\$968,294</u>	<u>\$100,029</u>	<u>\$1,068,323</u>

The City's long-term debt increased by \$100,000 during FY 03-04. This was due to the purchase of the Theil property located at 416 S. Bridge contiguous to Memorial Park.

CITY OF DEWITT

FINANCIAL CONDITION

Although the past few fiscal years have been financially challenging due to cuts in state shared revenues and the impact of Proposal A, the City's financial condition remains strong. Improved efficiencies, service sharing, staffing changes and other cost cutting measures have been implemented which assists the City in balancing fluctuating revenues with the escalating cost of operations. Increases in savings in certain funds will assist the City in matching future financial shortfalls as the State's economy attempts to stabilize and rebound

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of DeWitt's finances for all of those an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of DeWitt, 414 East Main Street, DeWitt, MI 48820.

GENERAL PURPOSE FINANCIAL STATEMENTS

The General Purpose Financial Statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

CITY OF DEWITT, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2004

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash	\$ 1,218,745	\$ 456,228	\$ 1,674,973	\$ 139,177
Investments	260,000	277,000	537,000	
Receivables				
Interest	1,192	793	1,985	
Taxes	835		835	
Accounts	64,955	26,850	91,805	
Special assessments	14,822	440,945	455,767	
Net leasehold receivable	695,000		695,000	
Due from				
Other funds	580		580	
Other governmental units	111,864		111,864	
Investment in SCCMUA		768,526	768,526	
Fixed assets (net of accumulated depreciation)	<u>3,685,356</u>	<u>4,327,628</u>	<u>8,012,984</u>	
TOTAL ASSETS	<u>\$ 6,053,349</u>	<u>\$ 6,297,970</u>	<u>\$ 12,351,319</u>	<u>\$ 139,177</u>
LIABILITIES				
Current liabilities				
Payables				
Accounts	\$ 13,806	\$ 1,015	\$ 14,821	\$
Payroll and payroll taxes	7,679		7,679	
Accrued interest	13,231	1,874	15,105	
Bonds and notes payable	171,081	47,930	219,011	
Noncurrent liabilities				
Bonds and notes payable	779,914	52,099	832,013	
Accrued sick and vacation pay	<u>17,299</u>		<u>17,299</u>	
TOTAL LIABILITIES	<u>1,003,010</u>	<u>102,918</u>	<u>1,105,928</u>	
NET ASSETS				
Invested in capital assets, net of related debt	3,434,361	4,227,599	7,661,960	
Unrestricted	<u>1,615,978</u>	<u>1,967,453</u>	<u>3,583,431</u>	<u>139,177</u>
TOTAL NET ASSETS	<u>5,050,339</u>	<u>6,195,052</u>	<u>11,245,391</u>	<u>139,177</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,053,349</u>	<u>\$ 6,297,970</u>	<u>\$ 12,351,319</u>	<u>\$ 139,177</u>

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Primary Government			
Governmental Activities			
Legislative	\$ 26,852	\$	\$
General government	799,159	59,449	419,329
Public safety	756,561	42,229	11,950
Public works	594,445	198,838	296,846
Culture and recreation	180,122	6,930	3,200
Other	280	21,103	
Interest on long-term debt	38,817		
Total Governmental Activities	<u>2,396,236</u>	<u>328,549</u>	<u>731,325</u>
Business-Type Activities			
Water and sewer fund	<u>766,660</u>	<u>538,342</u>	
Total Primary Government	<u>\$ 3,162,896</u>	<u>\$ 866,891</u>	<u>\$ 731,325</u>
Component Unit			
Downtown Development Authority	<u>76,409</u>		
Total Component Unit	<u>\$ 76,409</u>	<u>\$</u>	<u>\$</u>
General Revenues			
Property taxes levied for general purposes			
Fines and forfeitures			
Miscellaneous			
Unrestricted investment earnings			
Loss on sale of capital assets			
Transfers			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets, July 1			
Net Assets, June 30			

See accompanying notes to financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
\$	\$ (26,852)	\$	\$ (26,852)	\$
	(320,381)		(320,381)	
	(702,382)		(702,382)	
	(98,761)		(98,761)	
	(169,992)		(169,992)	
	20,823		20,823	
	(38,817)		(38,817)	
	(1,336,362)		(1,336,362)	
		(228,318)	(228,318)	
\$	(1,336,362)	(228,318)	(1,564,680)	
				(76,409)
\$				(76,409)
	1,585,325		1,585,325	63,493
	2,690		2,690	
	337,277	53,786	391,063	100
	29,598	31,491	61,089	1,932
	(14,685)	(10,605)	(25,290)	
	23,668	(23,668)		
	1,963,873	51,004	2,014,877	65,525
	627,511	(177,314)	450,197	(10,884)
	4,422,828	6,372,366	10,795,194	150,061
\$	\$ 5,050,339	\$ 6,195,052	\$ 11,245,391	\$ 139,177

CITY OF DEWITT, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2004

	GENERAL	MAJOR STREET
ASSETS		
Cash	\$ 675,177	\$ 227,832
Investments	210,000	
Receivables		
Taxes	835	
Accounts	64,955	919
Special assessments		244
Accrued interest receivable	886	
Net leasehold receivable		
Due from		
Other funds	580	
Other governmental units	61,444	35,875
Capital assets, net of accumulated depreciation		
TOTAL ASSETS	\$ <u>1,013,877</u>	\$ <u>264,870</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 11,198	\$
Accrued liabilities	7,679	1,538
Deferred revenue		1,538
TOTAL LIABILITIES	<u>18,877</u>	<u>1,538</u>
FUND BALANCE		
Reserved for capital projects		
Reserved for perpetual care		
Reserved for debt service		
Unreserved, reported in		
General fund	995,000	263,332
Special revenue funds		263,332
TOTAL FUND BALANCE	<u>995,000</u>	<u>263,332</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>1,013,877</u>	\$ <u>264,870</u>

See accompanying notes to financial statements.

BUILDING AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 5,008	\$ 212,991	\$ 1,121,008
40,000	10,000	260,000
		835
		64,955
	13,903	14,822
	62	1,192
695,000		695,000
	14,545	580
		111,864
	30,630	30,630
<u>\$ 740,008</u>	<u>\$ 282,131</u>	<u>\$ 2,300,886</u>
\$	\$ 2,509	\$ 13,707
695,000	15,263	7,679
695,000	17,772	711,801
		733,187
	67,738	67,738
45,008	122,131	122,131
	251	45,259
	74,239	995,000
45,008	264,359	337,571
<u>\$ 740,008</u>	<u>\$ 282,131</u>	<u>\$ 2,300,886</u>

CITY OF DEWITT, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2004

Total fund balances-governmental funds		\$	1,567,699
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$4,401,613 and the accumulated depreciation is \$940,015			3,461,598
An internal service fund is used by the City's management to charge the costs of vehicle use to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.			290,766
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long-term liabilities at year-end consist of:			
Bonds payable	\$	(850,995)	
Accrued interest		(13,231)	
Notes payable		(100,000)	
Compensated absences		<u>(17,299)</u>	(981,525)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds			<u>711,801</u>
TOTAL NET ASSETS-GOVERNMENTAL ACTIVITIES		\$	<u><u>5,050,339</u></u>

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL	MAJOR STREET
REVENUES		
Taxes	\$ 1,585,325	\$
Licenses and permits	54,036	
Intergovernmental	434,479	211,265
Charges for services	217,011	
Fines and forfeits	2,690	
Interest	22,330	1,478
Special assessments		1,600
Other revenues	155,331	175,375
TOTAL REVENUES	<u>2,471,202</u>	<u>389,718</u>
EXPENDITURES		
Legislative	26,852	
General government	961,707	
Public safety	746,305	
Public works	340,799	362,508
Recreation and culture	105,286	
Debt service		
Depreciation		
Capital outlay		
TOTAL EXPENDITURES	<u>2,180,949</u>	<u>362,508</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>290,253</u>	<u>27,210</u>
OTHER FINANCING SOURCES (USES)		
Proceeds of bond issues and loans		
Operating transfers in		120,000
Operating transfers out	(200,000)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(200,000)</u>	<u>120,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	90,253	147,210
FUND BALANCE, JULY 1	<u>904,747</u>	<u>116,122</u>
FUND BALANCE, JUNE 30	<u>\$ 995,000</u>	<u>\$ 263,332</u>

See accompanying notes to financial statements.

BUILDING AUTHORITY	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$	\$	\$
	38,169	1,585,325
	85,581	92,205
		731,325
		217,011
		2,690
	4,488	28,635
339	11,114	12,714
	6,571	337,277
	<u>145,923</u>	<u>3,007,182</u>
		26,852
	885	962,592
	328	746,633
	326,754	1,030,061
		105,286
	23,691	128,101
104,410	5,760	5,760
	280	280
	<u>357,698</u>	<u>3,005,565</u>
		1,617
	(211,775)	
(104,071)		104,060
	103,668	223,668
104,060		(200,000)
		127,728
	<u>103,668</u>	
		129,345
	(108,107)	1,438,354
(11)	372,466	
45,019	<u>264,359</u>	\$ 1,567,699
\$ 45,008		

CITY OF DEWITT, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

Net changes in fund balances-total governmental funds	\$ 129,345
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	574,244
Less: current year depreciation	(134,072)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(12,714)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	
Bond and loan proceeds	(104,060)
Accrued interest	619
Principal payments	153,665
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in long-term compensated absences	14,873
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds is reported with governmental activities.	
	<u>5,611</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>627,511</u></u>

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUES				
Taxes	\$ 1,579,950	\$ 1,583,300	\$ 1,585,325	\$ 2,025
Licences and permits	46,400	50,650	54,036	3,386
Intergovernmental	404,190	402,990	434,479	31,489
Charges for services	222,210	214,810	217,011	2,201
Fines and forfeits	1,900	2,620	2,690	70
Interest	13,180	19,980	22,330	2,350
Other revenue	<u>142,189</u>	<u>142,089</u>	<u>155,331</u>	<u>13,242</u>
TOTAL REVENUES	<u>2,410,019</u>	<u>2,416,439</u>	<u>2,471,202</u>	<u>54,763</u>
EXPENDITURES				
Legislative	25,995	28,550	26,852	1,698
General government	995,235	987,849	961,707	26,142
Public safety	770,808	759,946	746,305	13,641
Public works	352,773	352,450	340,799	11,651
Recreation and cultural	<u>102,910</u>	<u>106,500</u>	<u>105,286</u>	<u>1,214</u>
TOTAL EXPENDITURES	<u>2,247,721</u>	<u>2,235,295</u>	<u>2,180,949</u>	<u>54,346</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>162,298</u>	<u>181,144</u>	<u>290,253</u>	<u>109,109</u>
OTHER FINANCING USES				
Operating transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(37,702)</u>	<u>(18,856)</u>	<u>90,253</u>	<u>109,109</u>
FUND BALANCE, JULY 1	<u>904,747</u>	<u>904,747</u>	<u>904,747</u>	
FUND BALANCE, JUNE 30	<u>\$ 867,045</u>	<u>\$ 885,891</u>	<u>\$ 995,000</u>	<u>\$ 109,109</u>

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

MAJOR STREET FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Intergovernmental				
Gas and weight tax	\$ 192,100	\$ 192,100	\$ 211,265	\$ 19,165
Interest				
Investments	700	1,050	1,453	403
Special assessments	238	20	25	5
Other revenues				
Special assessments	1,119	319	1,600	1,281
Other	<u>175,375</u>	<u>175,375</u>	<u>175,375</u>	
TOTAL REVENUES	<u>369,532</u>	<u>368,864</u>	<u>389,718</u>	<u>20,854</u>
EXPENDITURES				
Public works				
Salaries	15,035	9,785	9,076	709
Fringe benefits	9,018	5,868	5,455	413
Supplies	8,020	7,220	5,881	1,339
Professional services	45,200	32,500	31,172	1,328
Repairs and maintenance	237,550	250,915	240,128	10,787
Equipment rental	21,450	14,300	13,126	1,174
Miscellaneous	250	250	210	40
Administrative costs	410	410	410	
Debt Service				
Principal	50,000	50,000	50,000	
Interest and fiscal charges	<u>7,050</u>	<u>7,050</u>	<u>7,050</u>	
TOTAL EXPENDITURES	<u>393,983</u>	<u>378,298</u>	<u>362,508</u>	<u>15,790</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	(24,451)	(9,434)	27,210	36,644
OTHER FINANCING SOURCES				
Operating transfers in	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	95,549	110,566	147,210	36,644
FUND BALANCE, JULY 1	<u>116,122</u>	<u>116,122</u>	<u>116,122</u>	
FUND BALANCE, JUNE 30	<u><u>\$ 211,671</u></u>	<u><u>\$ 226,688</u></u>	<u><u>\$ 263,332</u></u>	<u><u>\$ 36,644</u></u>

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

ASSETS

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u> WATER AND SEWER	<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS</u>
CURRENT ASSETS		
Cash	\$ 456,228	\$ 97,737
Investments	277,000	
Accounts receivable		
Current	21,027	
Delinquent	5,823	
Special assessments receivable	441,590	
Special assessments receivable - delinquent	(645)	
Accrued interest receivable	793	
	<u>1,201,816</u>	<u>97,737</u>
TOTAL CURRENT ASSETS		
FIXED ASSETS		
Property, plant, and equipment	6,604,271	567,358
Less: accumulated depreciation	<u>(2,276,643)</u>	<u>(374,230)</u>
NET FIXED ASSETS	<u>4,327,628</u>	<u>193,128</u>
OTHER ASSETS		
Investments in sewage treatment plant	<u>768,526</u>	
TOTAL ASSETS	<u>\$ 6,297,970</u>	<u>\$ 290,865</u>

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN
STATEMENT OF NET ASSETS - Concluded
PROPRIETARY FUNDS
JUNE 30, 2004

LIABILITIES AND NET ASSETS

	BUSINESS-TYPE ACTIVITIES <u>ENTERPRISE FUNDS</u> WATER AND SEWER	GOVERNMENTAL <u>ACTIVITIES</u> INTERNAL SERVICE FUNDS
CURRENT LIABILITIES		
Accounts payable	\$ 1,015	\$ 99
Accrued interest payable	1,874	
Current portion of long-term debt	<u>47,930</u>	<u> </u>
TOTAL CURRENT LIABILITIES	<u>50,819</u>	<u>99</u>
NONCURRENT LIABILITIES		
Revenue bonds payable	<u>52,099</u>	<u> </u>
TOTAL LIABILITIES	<u>102,918</u>	<u>99</u>
NET ASSETS AND CONTRIBUTED CAPITAL		
CONTRIBUTED CAPITAL		
Taxpayers	1,603,031	
Schools	94,646	
State	59,565	
Federal	890,535	
Subdivider	450,796	
Municipality	<u>28,638</u>	<u>234,105</u>
TOTAL CONTRIBUTED CAPITAL	<u>3,127,211</u>	<u>234,105</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,224,710	
Restricted for SCCMUA	691,644	
Unrestricted	<u>(1,848,513)</u>	<u>56,661</u>
TOTAL NET ASSETS	<u>3,067,841</u>	<u>56,661</u>
TOTAL NET ASSETS AND CONTRIBUTED CAPITAL	<u>6,195,052</u>	<u>290,766</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,297,970</u>	<u>\$ 290,865</u>

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES <u>ENTERPRISE FUNDS</u> WATER AND SEWER	GOVERNMENTAL ACTIVITIES <u>INTERNAL</u> SERVICE FUNDS
OPERATING REVENUES		
Charges for services	\$ 455,823	\$
Hook-up fees	76,269	
Capital benefits	6,250	
Equipment rental		125,564
Other	53,786	3,350
TOTAL OPERATING REVENUES	<u>592,128</u>	<u>128,914</u>
OPERATING EXPENDITURES		
Salaries	35,960	
Fringe benefits	15,102	
Operating supplies	4,913	18,677
Professional services	168,046	650
Utilities Authority expenses	288,203	
Insurance and bonds	1,176	11,011
Depreciation	145,973	57,118
Repairs and maintenance	19,201	20,440
Equipment rental	64,707	
Other	14,706	1,685
TOTAL OPERATING EXPENDITURES	<u>757,987</u>	<u>109,581</u>
OPERATING INCOME (LOSS)	<u>(165,859)</u>	<u>19,333</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue	11,694	963
Interest expense	(8,673)	
Gain (loss) on sale of fixed assets	(10,605)	(14,685)
Increase in value of SCCMUA	19,797	
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>12,213</u>	<u>(13,722)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(153,646)	5,611
OPERATING TRANSFERS		
Transfers out	(23,668)	
NET INCOME (LOSS)	(177,314)	5,611
ADD DEPRECIATION OF FIXED ASSETS ACQUIRED BY CAPITAL GRANTS THAT REDUCES CONTRIBUTED CAPITAL FROM CAPITAL GRANTS	<u>50,786</u>	
NET INCREASE (DECREASE) IN NET ASSETS	(126,528)	5,611
NET ASSETS, JULY 1	<u>3,194,369</u>	<u>51,050</u>
NET ASSETS, JUNE 30	<u>\$ 3,067,841</u>	<u>\$ 56,661</u>

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES <u>ENTERPRISE FUNDS</u> WATER AND SEWER	GOVERNMENTAL ACTIVITIES <u>INTERNAL</u> SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 644,319	\$ 128,914
Cash received from interfund charges	(548,776)	(37,814)
Cash payment for goods and services	(51,062)	
Cash payment for employees	<u>44,481</u>	<u>91,100</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	<u>(23,668)</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment on long-term debt and notes payable	(43,762)	
Interest expense and fiscal charges	(8,673)	
Payment for capital acquisitions	<u>(135,244)</u>	<u>(123,067)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(187,679)</u>	<u>(123,067)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	11,694	963
Decrease in investments	<u>86,909</u>	
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>98,603</u>	<u>963</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(68,263)	(31,004)
CASH AND CASH EQUIVALENTS, JULY 1	<u>524,491</u>	<u>128,741</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 456,228</u>	<u>\$ 97,737</u>

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN
STATEMENT OF CASH FLOWS - Concluded
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES <u>ENTERPRISE FUNDS</u> WATER AND SEWER	GOVERNMENTAL ACTIVITIES <u>INTERNAL SERVICE FUNDS</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (165,859)	\$ 19,333
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	145,973	57,118
Loss on sale of fixed assets	10,605	14,685
(Increase) decrease in		
Receivables	48,601	
Accrued interest	3,590	
Increase (decrease) in		
Accounts payable	1,015	(36)
Accrued expenses	556	
Total adjustments	210,340	71,767
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 44,481	\$ 91,100

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN
COMBINING BALANCE SHEET
AGENCY FUND - CURRENT TAX COLLECTION
JUNE 30, 2004

CURRENT ASSETS

Cash

\$ 580

LIABILITIES

Due to other funds

\$ 580

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED JUNE 30, 2004

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
ASSETS				
Cash	\$ <u>2,580</u>	\$ <u>8,110,193</u>	\$ <u>8,112,193</u>	\$ <u>580</u>
LIABILITIES				
Due to other funds				
General fund	\$ 1,815	\$ 1,717,182	\$ 1,718,417	\$ 580
Water and Sewer fund		12,017	12,017	
Other	765	59,171	59,936	
Due to other governmental units				
DeWitt Public Schools		1,542,191	1,542,191	
Lansing Community College		440,376	440,376	
Clinton County Intermediate		307,240	307,240	
Clinton County		<u>1,228,764</u>	<u>1,228,764</u>	
TOTAL LIABILITIES	\$ <u>2,580</u>	\$ <u>5,306,941</u>	\$ <u>5,308,941</u>	\$ <u>580</u>

See accompanying notes to financial statements.

CITY OF DEWITT, MICHIGAN
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	SPECIAL REVENUE	DEBT SERVICE
ASSETS		
Cash	\$ 106,357	\$ 251
Investments	10,000	
Receivables		
Interest	62	
Special assessments	13,903	
Due from state	14,545	
Capital assets, net of accumulated depreciation		
TOTAL ASSETS	<u><u>\$ 144,867</u></u>	<u><u>\$ 251</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 2,509	\$
Deferred revenue	<u>15,263</u>	<u></u>
TOTAL LIABILITIES	<u>17,772</u>	<u></u>
FUND BALANCE		
Reserved for capital projects	52,856	
Reserved for perpetual care		251
Reserved for debt service		
Unreserved	<u>74,239</u>	<u></u>
TOTAL FUND BALANCE	<u>127,095</u>	<u>251</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 144,867</u></u>	<u><u>\$ 251</u></u>

See accompanying notes to financial statements.

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 14,882	\$ 91,501	\$ 212,991
		10,000
		62
		13,903
		14,545
		30,630
<u>\$ 14,882</u>	<u>30,630</u>	<u>\$ 282,131</u>
	<u>\$ 122,131</u>	
\$	\$	\$ 2,509
		15,263
		17,772
		67,738
14,882	122,131	122,131
		251
		74,239
<u>14,882</u>	<u>122,131</u>	<u>264,359</u>
<u>\$ 14,882</u>	<u>\$ 122,131</u>	<u>\$ 282,131</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE	DEBT SERVICE
REVENUES		
Licenses and permits	\$ 38,169	\$
Intergovernmental	85,581	
Interest income	3,425	92
Special assessments	11,114	
Other revenues	<u>2,281</u>	
TOTAL REVENUES	<u>140,570</u>	<u>92</u>
EXPENDITURES		
General government		
Public safety	328	
Public works	326,754	
Culture and recreation		
Debt service		
Principal retirement		18,665
Interest and fiscal charges		5,026
Capital outlay		
TOTAL EXPENDITURES	<u>327,082</u>	<u>23,691</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(186,512)</u>	<u>(23,599)</u>
OTHER FINANCING SOURCES		
Operating transfers in	<u>80,000</u>	<u>23,668</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(106,512)	69
FUND BALANCE, JULY 1	<u>233,607</u>	<u>182</u>
FUND BALANCE, JUNE 30	<u>\$ 127,095</u>	<u>\$ 251</u>

See accompanying notes to financial statements.

CAPITAL PROJECTS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$	\$	\$
		38,169
	971	85,581
		4,488
		11,114
	4,290	6,571
	5,261	145,923
849		849
		328
	5,796	326,754
		5,796
		18,665
280		5,026
1,129	5,796	280
(1,129)	(535)	357,698
		(211,775)
		103,668
(1,129)	(535)	(108,107)
16,011	122,666	372,466
\$ 14,882	\$ 122,131	\$ 264,359

CITY OF DEWITT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under an elected City Council, which consists of the Mayor and six council members, with the daily activities operated by the City Administrator, Clerk, and Treasurer. The City provides services to its more than 4,500 residents in many areas including law enforcement, fire protection, sewer, transportation, and parks and recreation.

The financial statements of the City have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to city governments. The Government Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Reporting Entity

All funds and account groups under direct control of the City are included in this report. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and Statement on Michigan Governmental Accounting and Auditing No.5.

The criteria established by GASB for determining which of the City's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the City.

Discretely Presented and Blended Component Units

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its residents, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its residents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based on the foregoing criteria, the following organizations are included in the City's general purpose financial statements for the following reasons:

- City of DeWitt Building Authority
 - City appoints governing board
 - City has pledged its full faith and credit as a guarantee for the Authority's outstanding debt
 - City is obligated to fund deficits of the Authority

- City of DeWitt Downtown Development Authority
 - City appoints governing board
 - City approves budget of Authority
 - City must approve any tax levy of the Authority surplus funds existing at the termination of Authority vest to the City

The City of DeWitt Building Authority is presented in the financial statements as a blended component unit, whereas the Downtown Development Authority is presented as a discreet component unit.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

A. The Reporting Entity - Concluded

The activities of the Southern Clinton County Municipal Utilities Authority (SCCMUA) has been excluded from the general purpose financial statements, because only one of SCCMUA's ten board members is appointed by the City, and the City maintains no budgetary control over operations. However, the City has reported their investment in this joint venture in the Sewage Disposal System Fund as further described in Note 10.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the City of DeWitt, Michigan and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for services. The primary government of the City of DeWitt, Michigan is reported separately from certain legally separate component units for which the City of DeWitt, Michigan, the primary government, is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to fund liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City of DeWitt, Michigan.

The City of DeWitt, Michigan reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

The Major Street Fund accounts for major street improvements and resurfacing projects.

NOTE 1:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Concluded

The Building Authority Fund accounts for the resources accumulated and payments made for principal and interest on those bonds.

The City of DeWitt, Michigan reports the following major proprietary fund:

The Water and Sewer Fund accounts for the activities and operations of the water and sewer plant.

Additionally, the City of DeWitt, Michigan reports the following fund types:

Internal Service Funds are used to account for Motor Pool Services provided to other departments on a cost reimbursement basis.

The Cemetery Perpetual Care fund is used to account for resources legally held in trust to be used for cemetery perpetual care. All earnings of the fund, including any earnings on invested resources, may be used to support the organization's activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of DeWitt, Michigan has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water and Sewer Fund and other functions and segments.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services and privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City of DeWitt, Michigan's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on the same modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

The budget officer, the City Administrator, shall prepare and submit to the Mayor and the Council, on or before its first regular meeting in May of each year, a budget document covering the next fiscal year, tabulating the recommendations of the several officers, department heads and agencies.

Not later than June 15 the Council shall, by resolution, adopt the budget for the next fiscal year and shall, in such resolution make an appropriation for the money needed for municipal purposes during the ensuing fiscal year of the City and provide for a levy of the amount necessary to be raised by taxes upon real and personal property for municipal purposes. The levy shall not exceed two percent (2%) of the assessed valuation, as equalized, of all real and personal property subject to taxation in the City.

The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue; however, they are maintained at the account level for control purposes.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

D. Budgets and Budgetary Accounting - Concluded

After the budget is adopted, all transfers of budgeted amounts between accounts within a fund or department or any revisions that alter the total expenditures of a fund or department must be approved by the City Council.

The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.

Budgeted amounts are reported as originally adopted or amended by the City Council during the year.

E. Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary and fiduciary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are stated at cost.

G. Receivables

Receivables have been recognized for all significant amounts due the City. No allowances have been made for uncollectible amounts because, if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land Improvement	10-20 years
Buildings	10-40 years
Equipment	5-20 years
Vehicles	3-10 years
Utility Systems	10-40 years
Streets	20-25 years
Bridges	20-25 years
Sidewalks	20-25 years

The estimated useful lives are:

Motor Pool Vehicles	2-10 years
Water System Structure	25-50 years
Sewer System Structure	50-100 years
Machinery and Equipment	5-20 years

NOTE 1:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Accumulated Unpaid Vacation and Sick Pay

Substantially all City employees are granted vacation hours up to a maximum of 160 hours at the employee's anniversary date. In the event of termination, an employee is paid for accumulated vacation hours up to the maximum.

Substantially all City employees are allowed to accrue sick hours up to a maximum of 480 hours. Fifty percent (50%) of unused sick time for the preceding 12 months may be paid on or about December 1 of each year. Employees are not paid for accumulated sick time in the event of termination.

The cost of the accumulated vacation is recorded in the long-term portion of bonds and notes payable as these liabilities are not intended to be liquidated with expendable available financial resources.

J. Property Taxes

The City of DeWitt, Michigan bills and collects its own property taxes and taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of DeWitt on July 1 and December 1 and are payable without penalty through September 30 and February 14, respectively. The July 1 levy is composed of the City's millage and assessments and school taxes. The December 1 levy is composed of county, school and library taxes. All real property taxes not paid to the City by March 1 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2004, the City levied the following amounts per \$1,000 of assessed valuation:

	HOMESTEAD	NON-HOMESTEAD
July Levy		
General Fund	13.00000	13.00000
Schools	5.56000	13.78690
State Education	5.00000	5.00000
RESA	3.59890	3.59890
LCC	3.85440	3.85440
December Levy		
County	5.52110	5.52110
Schools	5.56000	13.78690
Library	.49500	.49500

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, constrict assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

The Internal Service Fund (Motor Pool) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Concluded**

L. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **CASH AND INVESTMENTS**

The cash and investment equity of the various funds at June 30, 2004 is as follows:

	CASH	INVESTMENTS
General	\$ 675,177	\$ 210,000
Major Street	227,832	
Local Street	16,390	10,000
Building Department	34,022	
Public Improvement	46,102	
Drug Law Enforcement	1,878	
Building Authority Debt	5,008	40,000
Building Authority	14,882	
1978 – Sewer	251	
Water and Sewer	456,228	277,000
Motor Pool	97,737	
Special Donations	7,965	
Cemetery Perpetual Care	91,501	
Current Tax Collections	580	
Downtown Development Authority	139,177	
	<u>\$ 1,814,730</u>	<u>\$ 537,000</u>

RECONCILIATION TO FINANCIAL STATEMENTS

	CASH	INVESTMENTS
Governmental Funds	\$ 1,218,745	\$ 260,000
Proprietary Funds		
Enterprise	456,228	277,000
Fiduciary Funds	580	
Component Units	139,177	
	<u>\$ 1,814,730</u>	<u>\$ 537,000</u>

A summary by type are:

Deposits	
Cash in demand accounts	\$ 804,269
Imprest cash	1,175
Cash in savings accounts/money market	1,009,286
Investments	
Certificates of deposit	240,000
Corporate Bonds	297,000
	<u>\$ 2,351,730</u>

Deposits. At year end, the banks were carrying a cash balance of \$2,024,123 not including any pooled investment funds. Of this amount, \$5,259 was debt service money and \$2,018,864 was for City activities other than debt service. These deposit classifications are covered by Federal Depository Insurance as follows:

Non-debt deposits were insured up to \$771,130, leaving a balance of \$1,252,993 uninsured.

Debt service deposits are considered deposits by a trustee of trust funds of which noteholders or bondholders are pro rata beneficiaries and the interest of each holder in the deposit shall be insured up to \$100,000.

NOTE 2: **CASH AND INVESTMENTS- Concluded**

Investments. Act 196, P.A. 1997, authorizes the City to deposit and invest in the following:

- (a) Bonds, securities and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).
- (c) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptance of United States banks.
- (f) Obligation of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Certain mutual funds as defined in the Act.

Investments of the City are in accordance with statutory authority.

There are three levels of risk by which investments are classified. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name. There are \$437,000 in investments classified under Category 1 and \$100,000 in Category 2.

The City has adopted a formal investment policy, as required by Act 20, P. A. 1943 as amended, that complies with State law.

NOTE 3: **CAPITAL ASSETS**

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	JULY 1, 2003	ADDITIONS	DELETIONS	JUNE 30, 2004
Capital assets not being depreciated				
Land	\$ 417,802	\$ 135,008	\$ _____	\$ 552,810
Capital assets being depreciated				
Buildings	1,117,015			1,117,015
Improvements	49,705			49,705
Machinery and equipment	765,932	169,054	(150,183)	784,803
Infrastructure	<u>2,100,854</u>	<u>421,538</u>	<u>_____</u>	<u>2,522,392</u>
Total Capital assets being depreciated	<u>4,033,506</u>	<u>590,592</u>	<u>(150,183)</u>	<u>4,473,915</u>
Less: Accumulated depreciation				
Buildings	313,993	27,798		341,791
Improvements	18,338	2,746		21,084
Machinery and equipment	581,633	74,915	(97,548)	559,000
Infrastructure	<u>328,004</u>	<u>91,490</u>	<u>_____</u>	<u>419,494</u>
Total accumulated depreciation	<u>1,241,968</u>	<u>196,949</u>	<u>(97,548)</u>	<u>1,341,369</u>
Total capital assets being depreciated - net	<u>2,791,538</u>	<u>393,643</u>	<u>(52,635)</u>	<u>3,132,546</u>
NET CAPITAL ASSETS	\$ <u>3,209,340</u>	\$ <u>528,651</u>	\$ <u>(52,635)</u>	\$ <u>3,685,356</u>

NOTE 3: **CAPITAL ASSETS** – Concluded

	JULY 1, 2003	ADDITIONS	DELETIONS	JUNE 30, 2004
Capital assets				
General assets	\$ 3,827,369	\$ 574,244	\$	\$ 4,401,613
Motor pool	571,206	146,333	(150,183)	567,356
Cemetery perpetual care	<u>52,733</u>	<u>5,023</u>		<u>57,756</u>
Total capital assets being depreciated	<u>4,451,308</u>	<u>725,600</u>	(150,183)	<u>5,026,725</u>
Less: accumulated depreciation				
General assets	805,943	134,072		940,015
Motor pool	414,660	57,117	(97,548)	374,229
Cemetery perpetual care	<u>21,365</u>	<u>5,760</u>		<u>27,125</u>
Total accumulated depreciation	<u>1,241,968</u>	<u>196,949</u>	(97,548)	<u>1,341,369</u>
NET CAPITAL ASSETS	\$ <u>3,209,340</u>	\$ <u>528,651</u>	\$ (<u>52,635</u>)	\$ <u>3,685,356</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ 35,139
Public safety	22,121
Public works	65,053
Culture and recreation	<u>74,636</u>
TOTAL DEPRECIATION EXPENSE GOVERNMENTAL ACTIVITIES	\$ <u>196,949</u>

Capital assets for business-type activities have been summarized as follows:

	JULY 1, 2003	ADDITIONS	DELETIONS	JUNE 30, 2004
Capital assets not being depreciated				
Land	\$ <u>5,792</u>	\$ <u>34,301</u>	\$	\$ <u>40,093</u>
Capital assets being depreciated				
Buildings	1,420,579		(20,579)	1,400,000
Machinery and equipment	763,851	16,947		780,798
Infrastructure	<u>4,410,044</u>	<u>83,996</u>	(110,660)	<u>4,383,380</u>
Total capital assets being depreciated	<u>6,594,474</u>	<u>100,943</u>	(131,239)	<u>6,564,178</u>
Less: Accumulated depreciation				
Buildings	\$ 699,000	\$ 28,743	\$ (19,743)	\$ 708,000
Machinery and equipment	60,063	22,166		82,229
Infrastructure	<u>1,492,242</u>	<u>95,064</u>	(100,892)	<u>1,486,414</u>
Total accumulated depreciation	<u>2,251,305</u>	<u>145,973</u>	(120,635)	<u>2,276,643</u>
Total capital assets being depreciated - net	<u>4,343,169</u>	(45,030)	(10,604)	<u>4,287,535</u>
NET CAPITAL ASSETS	\$ <u>4,348,961</u>	\$ (<u>10,729</u>)	\$ (<u>10,604</u>)	\$ <u>4,327,628</u>

NOTE 4: **LONG-TERM OBLIGATIONS**

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2004.

	WATER AND SEWER REVENUE BONDS	GENERAL OBLIGATION BONDS	NOTES PAYABLE	COMPENSATED ABSENCES
As of July 1, 2003	\$ 143,791	\$ 989,660	\$	\$ 32,172
Additions (Reductions)	(43,762)	(138,665)	100,000	(14,873)
As of June 30, 2004	\$ 100,029	\$ 850,995	\$ 100,000	\$ 17,299

Long-term debt at June 30, 2004 is comprised of the individual issues.

	BALANCE JULY 1, 2003	ADDITIONS (DEDUCTIONS)	BALANCE JUNE 30, 2004	AMOUNT DUE WITHIN ONE YEAR
Business-Type Activities				
Limited Tax General Obligation, Clinton County Water Supply Bonds, Series 1991	\$ 143,791	\$ (43,762)	\$ 100,029	\$ 47,930
Less: amount payable within one year		(47,930)	(47,930)	
Total Long-Term Debt Business- Type Activities	\$ 143,791	\$ (91,692)	\$ 52,099	\$ 47,930

**Governmental Activities -
Primary Government**

\$750,000 Clinton County Sanitary Sewage Treatment and Disposal System No. 7 Bonds, Series B (City Share \$280,000) dated August 1, 1978, City share due in annual installments of \$18,665, through May 1, 2007, with interest at 6.50 %, payable semiannually	\$ 74,660	\$ (18,665)	\$ 55,995	\$ 18,665
\$400,000 1998 Michigan Transportation Fund Bonds, dated March 1, 1998, due in annual installments of \$50,000 through February 1, 2006, with interest ranging from 4.45% to 4.55%, payable semi-annually	150,000	(50,000)	100,000	50,000
\$975,000 Building Authority Bonds, Series 2002 due in annual installments of \$65,000 to \$70,000 through May 1, 2014, with interest ranging from 4.00% to 5.00%, payable semi-annually	765,000	(70,000)	695,000	70,000

NOTE 4: **LONG-TERM DEBT** - Continued

	BALANCE JULY 1, 2003	ADDITIONS (DEDUCTIONS)	BALANCE JUNE 30, 2004	AMOUNT DUE WITHIN ONE YEAR
Governmental Activities -				
Primary Government - Concluded				
\$100,000 installment purchase agreement due in annual installments of \$35,212 through September 15, 2006 with interest included at 2.75%	\$	\$ 100,000	\$ 100,000	\$ 32,416
Accumulated compensated absences	<u>32,172</u>	<u>(14,873)</u>	<u>17,299</u>	<u> </u>
Total Primary Government	\$ <u>1,021,832</u>	\$ <u>(53,538)</u>	\$ <u>968,294</u>	\$ <u>171,081</u>

The annual requirements to pay future principal and interest are as follows:

YEAR ENDING JUNE 30,		REVENUE BONDS	GENERAL OBLIGATION BONDS	PURCHASE CONTRACT	TOTAL
2005	Principal	\$ 47,931	\$ 138,665	\$ 32,416	\$ 219,012
	Interest	5,502	38,725	2,796	47,023
	Total	53,433	177,390	35,212	266,035
2006	Principal	52,098	138,665	33,327	224,090
	Interest	2,865	32,461	1,884	37,210
	Total	54,963	171,126	35,211	261,300
2007	Principal		88,665	34,257	122,922
	Interest		26,103	955	27,058
	Total		114,768	35,212	149,980
2008	Principal		70,000		70,000
	Interest		21,950		21,950
	Total		91,950		91,950
2009	Principal		70,000		70,000
	Interest		18,940		18,940
	Total		88,940		88,940
2010	Principal		70,000		70,000
	Interest		15,860		15,860
	Total		85,860		85,860
2011	Principal		70,000		70,000
	Interest		12,780		12,780
	Total		82,780		82,780
2012	Principal		70,000		70,000
	Interest		9,630		9,630
	Total		79,630		79,630
2013	Principal		70,000		70,000
	Interest		6,410		6,410
	Total		76,410		76,410

NOTE 4: **LONG-TERM DEBT – Concluded**

	REVENUE BONDS	GENERAL OBLIGATION BONDS	PURCHASE CONTRACT	TOTAL
Thereafter				
Principal	\$	\$ 65,000	\$	\$ 65,000
Interest		3,120		3,120
Total		68,120		68,120
Total Principal	100,029	850,995	100,000	1,051,024
Interest	8,367	185,979	5,635	199,981
Total	108,396	1,036,974	105,635	1,251,005

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

NOTE 5: **DEFINED BENEFIT PENSION PLAN**

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the City of DeWitt, 414 East Main Street, DeWitt, Michigan, 48820.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and requires a contribution from the City of 17.40% of gross wages for the general government, 13.63% of gross wages for the police union, and 17.33% of gross wages for the Department of Public Safety.

Annual Pension Cost

For year ended June 30, 2004 the City's annual pension cost of \$135,033 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation December 31, 2002 using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 10 years.

	FISCAL YEARS ENDED DECEMBER 31,		
	2000	2001	2002
Annual pension cost	\$ 75,912	\$ 130,488	\$ 122,940
Percentage of APC contributed	100%	100%	
Net pension obligation			
Actuarial value of assets	679,018	817,950	948,187
Actuarial Accrued Liability (entry age)	1,814,126	1,988,414	2,085,125
Unfunded Actuarial Accrued Liability	1,135,108	1,170,464	1,136,938
Funded ratio	.37	.41	
Covered payroll	697,052	740,716	698,577
UAAL as a percentage of covered payroll	162.84%	158.00%	163.75%

NOTE 6: **INTERFUND TRANSFERS**

The following are the operating transfers for the year ending June 30, 2004:

FUND	TRANSFERS IN	FUND	TRANSFERS OUT
Local Street	\$ 80,000	General	\$ 200,000
Major Street	<u>120,000</u>		
Subtotal	<u>200,000</u>	Subtotal	<u>200,000</u>
Sewer Plant - Debt	<u>23,668</u>	Water and Sewer	<u>23,668</u>
TOTAL	\$ <u>223,668</u>	TOTAL	\$ <u>223,668</u>

NOTE 7: **INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables are as follows:

FUND	INTERFUND RECEIVABLES	FUND	INTERFUND PAYABLES
General	\$ <u>580</u>	Current tax collections	\$ <u>580</u>

NOTE 8: **FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance and retained earnings are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance and retained earnings reserves as of June 30, 2004:

FUND BALANCES

Special Revenue Funds	
Public Improvement	\$ 52,856
Reserved for Capital Projects	
Building Authority	14,882
Reserved for Capital Projects	
Debt Service Funds	45,259
Reserved for Debt Service	
Permanent Fund (Cemetery	<u>122,131</u>
Perpetual Care)	\$ <u>235,128</u>

RETAINED EARNINGS

Water and sewer fund	\$ <u>691,644</u>
Reserved at SCCMUA	

NOTE 9: **INVESTMENT IN SEWAGE TREATMENT PLANT**

Since 1978, the City of DeWitt, Michigan has been a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage any sewage disposal system and water supply system for the benefit of the constituent municipalities.

The members of the Authority and approximate percentage of responsibility are as follows:

- City of DeWitt - 11%
- DeWitt Township - 56%
- Watertown Township - 20%
- Bath Township - 13%

NOTE 9: INVESTMENT IN SEWAGE TREATMENT PLANT - Concluded

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. The City of DeWitt, Michigan currently is represented by one of the ten members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority.

The City has recorded their initial cost of construction of the Authority facilities as property, plant and equipment in the amount of \$1,400,000. This amount is being depreciated over 50 years. The investment account includes the City's portion of the retained earnings of SCCMUA. Audit reports for SCCMUA can be obtained from the City of DeWitt, Michigan.

The detail of the investment account held at SCCMUA is as follows:

Reserved	\$ 691,644
Unreserved	<u>76,882</u>
	\$ <u>768,526</u>

The following provides a detail of the reserved retained earnings balances:

Digester improvement	\$ 258,969
Plant equipment	16,157
Process equipment	257,506
Benefits	3,657
Sewer system	11,210
Fixed assets	139,153
Heavy vehicle and equipment	694
New vehicle	<u>4,298</u>
	\$ <u>691,644</u>

NOTE 10: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978 provides that the City shall not incur expenditures in excess of the amount appropriated.

The approved budgets of the City were adopted at the activity level. Individual line items in each activity may exceed the amount appropriated for that line item, but the total appropriated for that activity may not be exceeded.

During the year ended June 30, 2004, the City did not incur expenditures in excess of appropriations.

NOTE 11: SEGMENT INFORMATION

The City operates the Water and Sewage Disposal System utilities providing services to the various City residents. Segment information for the year ended June 30, 2004, is as follows:

WATER AND SEWER

Operating revenues	\$ 592,128
Operating expenses	757,987
Depreciation	145,973
Nonoperating revenues	12,213
Operating loss	(165,859)
Net loss	(177,314)
Transfers out	(23,668)
Additions in property, plant and equipment	4,005
Net working capital	1,150,997
Total assets	6,297,970
Contributed capital	3,127,211
Total equity	6,195,052

NOTE 12: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for most risks of loss to which it is exposed.

NOTE 13: LONG-TERM LEASE

The Building Authority is a party to a long-term lease agreement for rental of land located behind City Hall, McGuire Park, Riverside Park, Sports Park and River Trail Park, to the City of DeWitt, Michigan. The lease stipulates that fixed annual rentals will be paid to the Authority by the City of DeWitt, Michigan and such rentals are pledged exclusively for payment of principal and interest on the Building Authority bonds. In addition, the City pledges its unlimited tax, full faith, and credit as security under the lease. Fixed annual rentals will cease after all bonds have been retired and advance rentals repaid on May 1, 2014. The lease agreement provides, further, that after all bonds are retired and advance rentals repaid, title to the land and buildings will vest to the City of DeWitt.

The long-term lease has been accounted for as a capital lease in the debt service fund. The net leasehold receivable represents the present value of future minimum lease payments due from the City. Revenue represented by the non-current portion of the receivable is deferred until it becomes a current receivable. Future minimum lease payments scheduled to be received by the Authority from the City (including unearned finance income of \$171,900) are as follows:

2005	\$ 100,560
2006	97,760
2007	94,890
2008	91,950
2009	88,940
2010	85,860
2011	82,780
2012	79,630
2013	76,410
2014	<u>68,120</u>
	<u>\$ 866,900</u>

NOTE 14: POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 5, the City provides post retirement health care benefits to all of its retired employees who meet eligibility requirements. Currently, the City is paying the health care premiums for 2 retirees. During the year, approximately \$9,106 was paid for post retirement health care.

NOTE 15: DEWITT AREA EMERGENCY SERVICES AUTHORITY

The City of DeWitt, Michigan is a member of the DeWitt Area Emergency Services Authority (DAESA), which was formed on January 1, 2002. The purpose of the Authority is to provide fire protection and emergency medical services to the City of DeWitt, Olive Township and Riley Township.

The members of the Authority and approximate percentage of responsibility are as follows:

	FUNDING	OWNERSHIP
City of DeWitt	50%	33.3%
Olive Township	31	33.3
Riley Township	19	33.3

The governing body of the Authority is appointed by the constituent municipalities (each appoints two members). The annual budget is approved by a majority of the board.

GENERAL FUND

The General Fund exists to account for the resources devoted to finance the services traditionally associated with local government. Included in these services are law enforcement, fire department, protective services and general administration of the City. Any other activity for which a special fund has not been created is accounted for in the General Fund.

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
REVENUES				
Taxes				
General property tax	\$ 1,520,000	\$ 1,520,946	\$ 946	\$ 1,479,703
Penalties and interest	5,300	5,903	603	3,928
Administration fees	58,000	58,476	476	57,798
Total Taxes	<u>1,583,300</u>	<u>1,585,325</u>	<u>2,025</u>	<u>1,541,429</u>
Licenses and permits				
Franchise fees	25,000	27,335	2,335	24,626
Other permits	25,650	26,701	1,051	13,338
Total Licenses and permits	<u>50,650</u>	<u>54,036</u>	<u>3,386</u>	<u>37,964</u>
Intergovernmental				
State share revenues				
Income, sales and single business tax	397,500	418,139	20,639	434,221
Liquor license	1,140	1,190	50	1,156
Michigan Justice Training	750	1,548	798	1,548
Police grants	400	10,402	10,002	
Department of Natural Resources Recreation Division Grant	3,200	3,200		
Total Intergovernmental	<u>402,990</u>	<u>434,479</u>	<u>31,489</u>	<u>436,925</u>
Charges for services				516
Sewer inspections	2,100	2,100		180,018
Refuse service	178,000	179,428	1,428	11,870
Penalties	7,400	7,450	50	29,113
Park and recreation fees	6,860	6,930	70	18,709
Cemetery	19,350	19,955	605	1,201
Other charges	1,100	1,148	48	
Total Charges for Services	<u>214,810</u>	<u>217,011</u>	<u>2,201</u>	<u>241,427</u>
Fines and forfeits				2,850
Parking fines	2,620	2,690	70	
Interest	<u>19,980</u>	<u>22,330</u>	<u>2,350</u>	<u>26,188</u>
Other revenue				98,796
Reimbursements	97,089	102,637	5,548	128,561
Other	45,000	52,694	7,694	
Total Other Revenue	<u>142,089</u>	<u>155,331</u>	<u>13,242</u>	<u>227,357</u>
TOTAL REVENUES	<u>\$ 2,416,439</u>	<u>\$ 2,471,202</u>	<u>\$ 54,763</u>	<u>\$ 2,514,140</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - Continued
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
EXPENDITURES				
LEGISLATIVE				
Salaries	\$ 12,000	\$ 11,238	\$ 762	\$ 9,726
Social security	1,000	860	140	744
Sister city	2,000	1,634	366	2,000
Conference and travel	2,150	2,088	62	1,696
Other	7,150	6,832	318	2,015
Membership and dues	4,250	4,200	50	3,408
TOTAL LEGISLATIVE	28,550	26,852	1,698	19,589
GENERAL GOVERNMENT				
Administrator				127,390
Salaries	140,100	139,396	704	9,531
Social security	11,225	11,528	(303)	1,085
Health insurance				2,525
Life insurance	2,500	2,098	402	27,136
Retirement	28,500	23,985	4,515	13,173
Deferred compensation	13,500	13,468	32	6,250
Equipment rentals	4,500	4,500		2,936
Conference and travel	3,500	3,350	150	912
Membership and dues	905	903	2	136
Other				
Total Administration	204,730	199,228	5,502	191,074
Elections				2,951
Salaries				2,329
Supplies	300	284	16	417
Other	240	240		
Capital outlay	600	496	104	
Total Elections	1,140	1,020	120	5,697
Assessor				213
Board of Review	400	395	5	26,130
Assessing services	26,779	26,779		685
Capital outlay	2,800	2,780	20	1,104
Other	1,330	1,092	238	
Total Assessor	31,309	31,046	263	28,132
Clerk				46,074
Salaries	48,200	48,114	86	3,127
Social security	3,900	3,613	287	9,064
Health/dental	9,800	9,572	228	1,130
Life insurance	900	817	83	8,753
Retirement	9,800	7,428	2,372	501
Conference and travel	1,700	1,444	256	
Other	100		100	
Membership and dues	310	310		205
Total Clerk	74,710	71,298	3,412	68,854

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - Continued
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
EXPENDITURES - Continued				
GENERAL GOVERNMENT - Continued				
Treasurer				
Salaries	\$ 45,300	\$ 45,274	\$ 26	\$ 43,104
Social Security	3,675	3,359	316	2,183
Health/dental	11,300	10,873	427	10,414
Life insurance	850	750	100	1,048
Retirement	9,100	7,209	1,891	8,369
Conference and travel	1,125	826	299	7,165
Membership and dues	225	223	2	120
Total Treasurer	<u>71,575</u>	<u>68,514</u>	<u>3,061</u>	<u>72,403</u>
City Hall and Grounds				
Worker's compensation	14,200	16,758	(2,558)	13,734
Unemployment compensation	14,000	11,620	2,380	
Operating supplies	16,500	16,547	(47)	19,862
Professional services				151
Office supplies	6,000	5,996	4	5,324
Legal fees	45,000	41,660	3,340	47,833
Refuse contract	114,000	112,815	1,185	118,610
Audit fees	3,400	3,390	10	1,950
Liability insurance	26,600	26,541	59	23,724
Services/cleaning				345
Recycling program	51,000	50,333	667	44,509
Telephone	7,750	7,666	84	6,017
Printing and publishing	13,000	11,865	1,135	12,655
Utilities	9,000	8,725	275	6,712
Street lights	58,000	57,205	795	62,183
Repairs and maintenance	21,500	17,464	4,036	50,263
Hydrant rental				29,822
Equipment rental	1,225	1,027	198	950
Building rental	104,060	104,060		
Drains	33,800	33,722	78	
Capital outlay	39,600	38,874	726	11,051
Total City Hall and Grounds	<u>578,635</u>	<u>566,268</u>	<u>12,367</u>	<u>455,695</u>
Tree Commission				
Tree maintenance	7,500	6,959	541	12,583
Tree programs	100	100		330
Capital outlay	9,000	8,063	937	1,209
Miscellaneous	150	105	45	
Total Tree Commission	<u>16,750</u>	<u>15,227</u>	<u>1,523</u>	<u>14,122</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - Continued

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
EXPENDITURES - Continued				
GENERAL GOVERNMENT - Concluded				
Retiree Benefits				
Health insurance	\$ 9,000	\$ 9,106	\$ (106)	\$ 7,863
TOTAL GENERAL GOVERNMENT	<u>987,849</u>	<u>961,707</u>	<u>26,142</u>	<u>843,840</u>
PUBLIC SAFETY				
Police				
Salaries	345,250	333,798	11,452	334,688
Social security	28,000	25,347	2,653	22,238
Health insurance	51,000	49,547	1,453	56,840
Life insurance	4,560	3,894	666	6,925
Retirement	52,500	57,046	(4,546)	49,719
Deferred Compensation	2,600	2,586	14	4,872
Uniforms	7,250	6,929	321	3,614
Operating supplies	6,000	5,897	103	5,642
Detective services	14,600	14,600		6,000
Liability insurance	7,825	7,813	12	6,525
Telephone	1,500	1,207	293	3,316
Radio	6,700	6,101	599	2,303
Equipment rental	46,385	46,385		51,150
Conference and travel	100	82	18	413
Repairs and maintenance	3,500	2,870	630	1,825
Other	12,000	11,875	125	857
Memberships and dues	200	187	13	308
Police training	2,700	2,494	206	2,353
Capital outlay	3,000	2,882	118	3,850
Total Police	<u>595,670</u>	<u>581,540</u>	<u>14,130</u>	<u>563,438</u>
Safety Training				
Operating supplies	35	32	3	42
Training/City funds	50	50		
Total Safety Training	<u>85</u>	<u>82</u>	<u>3</u>	<u>42</u>
Fire				
Professional services	117,431	117,431		109,783
Utilities	200	176	24	121
Repairs and maintenance	1,500	1,109	391	560
Capital outlay				5,463
Total Fire	<u>119,131</u>	<u>118,716</u>	<u>415</u>	<u>115,927</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - Continued
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
EXPENDITURES - Concluded				
PUBLIC SAFETY - Concluded				
Planning Commission				
Professional services	\$ 45,000	\$ 44,949	\$ 51	\$ 55,915
Conferences and travel	60	80	(20)	
Operating supplies		909	(909)	88
Other		29	(29)	107
Total Planning Commission	<u>45,060</u>	<u>45,967</u>	<u>(907)</u>	<u>56,110</u>
TOTAL PUBLIC SAFETY	<u>759,946</u>	<u>746,305</u>	<u>13,641</u>	<u>735,517</u>
DEPARTMENT OF PUBLIC WORKS				
Salaries	203,200	201,635	1,565	190,038
Social security	16,500	15,947	553	12,899
Health insurance	36,500	35,285	1,215	33,317
Life insurance	3,750	3,231	519	4,395
Retirement	41,000	35,302	5,698	37,692
Deferred Compensation	11,000	10,684	316	9,719
Uniform purchase	1,000	848	152	788
Uniform cleaning	3,500	3,318	182	3,325
Supplies	9,000	9,380	(380)	9,706
Telephone	2,500	2,113	387	563
Equipment rental	12,000	12,000		18,000
Utilities	6,000	5,546	454	4,754
Repairs and maintenance	2,500	1,587	913	8,068
Capital outlay	3,750	3,675	75	3,189
Other	<u>250</u>	<u>248</u>	<u>2</u>	<u>307</u>
TOTAL DEPARTMENT OF PUBLIC WORKS	<u>352,450</u>	<u>340,799</u>	<u>11,651</u>	<u>336,760</u>
RECREATION AND CULTURAL				
Salaries	2,000	1,955	45	26,009
Social security	150	150		1,614
Health insurance				716
Life insurance				434
Retirement				4,094
Deferred Compensation				2,130
Operating supplies	6,500	6,255	245	8,492
Park programs	1,000	766	234	28,293
Professional services	80,050	80,050		1,650
Conferences and travel				407
Utilities	3,800	3,352	448	2,764
Repairs and maintenance	11,300	11,166	134	13,496
Other				132
Membership and dues				350
Capital outlay	<u>1,700</u>	<u>1,592</u>	<u>108</u>	
TOTAL RECREATION AND CULTURE	<u>106,500</u>	<u>105,286</u>	<u>1,214</u>	<u>90,581</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - Concluded
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2003

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
TOTAL EXPENDITURES	\$ <u>2,235,295</u>	\$ <u>2,180,949</u>	\$ <u>54,346</u>	\$ <u>2,026,287</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>181,144</u>	<u>290,253</u>	<u>109,109</u>	<u>487,853</u>
OTHER FINANCING USES Operating transfers out	<u>(200,000)</u>	<u>(200,000)</u>		<u>(280,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(18,856)	90,253	109,109	207,853
FUND BALANCE, JULY 1	<u>904,747</u>	<u>904,747</u>		<u>696,894</u>
FUND BALANCE, JUNE 30	\$ <u><u>885,891</u></u>	\$ <u><u>995,000</u></u>	\$ <u><u>109,109</u></u>	\$ <u><u>904,747</u></u>

SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

The Special Revenue Funds of the City are: Local Street, Building Department, Public Improvement Fund, Drug Law Enforcement, and Special Donations.

CITY OF DEWITT, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2004

	LOCAL STREET	BUILDING DEPARTMENT
ASSETS		
Cash and cash equivalents	\$ 16,390	\$ 34,022
Investments	10,000	
Receivables		
Special assessments	596	
Accrued interest	62	
Due from state	14,545	
	<u>41,593</u>	<u>34,022</u>
TOTAL ASSETS	\$ <u>41,593</u>	\$ <u>34,022</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 2,509	\$
Deferred revenue	745	
	<u>3,254</u>	<u></u>
TOTAL LIABILITIES	<u>3,254</u>	<u></u>
 FUND BALANCE		
Reserved for capital projects		
Unreserved-undesignated	38,339	34,022
	<u>38,339</u>	<u>34,022</u>
TOTAL FUND BALANCE	<u>38,339</u>	<u>34,022</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>41,593</u>	 \$ <u>34,022</u>

PUBLIC IMPROVEMENT	DRUG LAW ENFORCEMENT	SPECIAL DONATIONS	TOTAL
\$ 46,102	\$ 1,878	\$ 7,965	\$ 106,357
13,307			10,000
			13,903
			62
			14,545
<u>\$ 59,409</u>	<u>\$ 1,878</u>	<u>\$ 7,965</u>	<u>\$ 144,867</u>
\$ 14,518	\$	\$	\$ 2,509
<u>14,518</u>	<u></u>	<u></u>	<u>15,263</u>
			17,772
44,891		7,965	52,856
<u>44,891</u>	<u>1,878</u>	<u></u>	<u>74,239</u>
	<u>1,878</u>	<u>7,965</u>	<u>127,095</u>
<u>\$ 59,409</u>	<u>\$ 1,878</u>	<u>\$ 7,965</u>	<u>\$ 144,867</u>

CITY OF DEWITT, MICHIGAN
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	LOCAL STREET	BUILDING DEPARTMENT
REVENUES	\$ 85,581	\$
Intergovernmental		
Interest	1,520	187
Investments	(5)	
Special assessments		38,169
Licenses and permits	149	
Special assessments		
Other		
TOTAL REVENUES	<u>87,245</u>	<u>38,356</u>
EXPENDITURES		
Public works	274,953	36,083
Public safety		
TOTAL EXPENDITURES	<u>274,953</u>	<u>36,083</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(187,708)</u>	<u>2,273</u>
OTHER FINANCING SOURCES		
Operating transfers in	<u>80,000</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND AND OTHER FINANCING USES	(107,708)	2,273
FUND BALANCE, JULY 1	<u>146,047</u>	<u>31,749</u>
FUND BALANCE, JUNE 30	<u>\$ 38,339</u>	<u>\$ 34,022</u>

PUBLIC IMPROVEMENT	LAW ENFORCEMENT	SPECIAL DONATIONS	TOTAL
\$	\$	\$	\$
			85,581
469	12	80	2,268
1,162			1,157
			38,169
10,965			11,114
	81	2,200	2,281
<u>12,596</u>	<u>93</u>	<u>2,280</u>	<u>140,570</u>
15,718	2	326	326,754
<u>15,718</u>	<u>2</u>	<u>326</u>	<u>328</u>
			327,082
(3,122)	91	1,954	(186,512)
			80,000
(3,122)	91	1,954	(106,512)
48,013	1,787	6,011	233,607
<u>44,891</u>	<u>1,878</u>	<u>7,965</u>	<u>127,095</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003
LOCAL STREET FUND

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
REVENUES				
Intergovernmental	\$ 77,500	\$ 85,581	\$ 8,081	\$ 80,445
Gas and weight tax				
Interest	1,391	1,520	129	1,862
Investments	50	(5)	(55)	100
Special assessments				
Other revenues	145	149	4	766
Special assessments	200		(200)	1,469
Other				
	<u>79,286</u>	<u>87,245</u>	<u>7,959</u>	<u>84,642</u>
TOTAL REVENUES				
EXPENDITURES				
Public works	11,840	12,507	(667)	8,940
Salaries	7,104	7,532	(428)	5,364
Fringe benefits	7,186	5,458	1,728	4,908
Supplies	29,000	28,025	975	16,146
Professional services	202,052	202,920	(868)	149,384
Repairs and maintenance	17,350	18,054	(704)	12,943
Equipment rental	25	7	18	63
Miscellaneous	450	450		450
Administrative costs				
	<u>275,007</u>	<u>274,953</u>	<u>54</u>	<u>198,198</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(195,721)</u>	<u>(187,708)</u>	<u>8,013</u>	<u>(113,556)</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>80,000</u>	<u>80,000</u>		<u>90,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(115,721)</u>	<u>(107,708)</u>	<u>8,013</u>	<u>(23,556)</u>
FUND BALANCE, JULY 1	<u>146,047</u>	<u>146,047</u>		<u>169,603</u>
FUND BALANCE, JUNE 30	<u>\$ 30,326</u>	<u>\$ 38,339</u>	<u>\$ 8,013</u>	<u>\$ 146,047</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003
BUILDING DEPARTMENT FUND

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
REVENUES				
Licenses and permits	\$ 36,025	\$ 38,169	\$ 2,144	\$ 43,168
Interest on investments	185	187	2	399
	<u>36,210</u>	<u>38,356</u>	<u>2,146</u>	<u>43,567</u>
TOTAL REVENUES				
EXPENDITURES				
Public works	10,100	10,100		10,500
Salaries	5,045	5,045		5,500
Fringe benefits	25,500	18,957	6,543	24,916
Professional services	125	121	4	85
Miscellaneous	1,860	1,860		1,390
Administrative costs	<u>42,630</u>	<u>36,083</u>	<u>6,547</u>	<u>42,391</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,420)	2,273	8,693	1,176
	<u>31,749</u>	<u>31,749</u>		<u>30,573</u>
FUND BALANCE, JULY 1				
FUND BALANCE, JUNE 30	\$ <u>25,329</u>	\$ <u>34,022</u>	\$ <u>8,693</u>	\$ <u>31,749</u>

CITY OF DEWITT, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

PUBLIC IMPROVEMENT FUND

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
REVENUES				
Interest				
Investments	\$ 600	\$ 469	\$ (131)	\$ 697
Special assessments	340	1,162	822	1,478
Other revenues				
Special assessments	3,500	10,965	7,465	5,016
Other				15,372
TOTAL REVENUES	<u>4,440</u>	<u>12,596</u>	<u>8,156</u>	<u>22,563</u>
EXPENDITURES				
Public works	16,000	15,685	315	6,259
Other	50	33	17	24
TOTAL EXPENDITURES	<u>16,050</u>	<u>15,718</u>	<u>332</u>	<u>6,283</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,610)	(3,122)	8,488	16,280
FUND BALANCE, JULY 1	<u>48,013</u>	<u>48,013</u>		<u>31,733</u>
FUND BALANCE, JUNE 30	<u>\$ 36,403</u>	<u>\$ 44,891</u>	<u>\$ 8,488</u>	<u>\$ 48,013</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003
DRUG LAW ENFORCEMENT

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
REVENUES				
Interest on investments	\$ 19	\$ 12	\$ (7)	\$ 17
Other	<u>75</u>	<u>81</u>	<u>6</u>	<u>17</u>
TOTAL REVENUES	<u>94</u>	<u>93</u>	<u>(1)</u>	<u>17</u>
EXPENDITURES				
Forfeitures	<u>3</u>	<u>2</u>	<u>1</u>	<u>379</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	91	91		(362)
FUND BALANCE, JULY 1	<u>1,787</u>	<u>1,787</u>		<u>2,149</u>
FUND BALANCE, JUNE 30	<u>\$ 1,878</u>	<u>\$ 1,878</u>	<u>\$</u>	<u>\$ 1,787</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003
SPECIAL DONATIONS

	AMENDED BUDGET	2004 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2003 ACTUAL
REVENUES				
Interest on investments	\$ 67	\$ 80	\$ 13	\$ 132
Donations	<u>2,200</u>	<u>2,200</u>	<u></u>	<u>935</u>
TOTAL REVENUES	<u>2,267</u>	<u>2,280</u>	<u>13</u>	<u>1,067</u>
EXPENDITURES				
Public safety	<u>330</u>	<u>326</u>	<u>4</u>	<u>7,728</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,937	1,954	17	(6,661)
FUND BALANCE, JULY 1	<u>6,011</u>	<u>6,011</u>	<u></u>	<u>12,672</u>
FUND BALANCE, JUNE 30	<u>\$ 7,948</u>	<u>\$ 7,965</u>	<u>\$ 17</u>	<u>\$ 6,011</u>

DEBT SERVICE FUNDS

Debt Service Funds are established to finance and account for the payment of interest and principal on all general obligation debt and revenue bonds issued for and serviced by a governmental enterprise.

The City's Debt Service Funds include the 1978 - Sewer and Building Authority Bonds.

CITY OF DEWITT, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUND
1978 SEWER
JUNE 30, 2004

ASSETS	
Cash	\$ <u>251</u>
 FUND BALANCE	
Reserved for debt service	\$ <u>251</u>

CITY OF DEWITT, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NON-MAJOR DEBT SERVICE FUND
 1978 SEWER
 FOR THE YEAR ENDED JUNE 30, 2004

REVENUES	
Interest on investments	\$ <u>92</u>
EXPENDITURES	
Debt service	
Principal	18,665
Interest and fiscal charges	<u>5,026</u>
TOTAL EXPENDITURES	<u>23,691</u>
DEFICIENCY OF	
REVENUES OVER	
EXPENDITURES	<u>(23,599)</u>
OTHER FINANCING SOURCES	
Operating transfers in	<u>23,668</u>
EXCESS OF REVENUES AND	
OTHER FINANCING SOURCES OVER	
EXPENDITURES AND OTHER USES	69
FUND BALANCE, JULY 1	<u>182</u>
FUND BALANCE, JUNE 30	\$ <u><u>251</u></u>

CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources expended to acquire assets of a relatively permanent nature. (Enterprise Fund resources are not included in this category). These funds satisfy the special accounting requirements for bond proceeds and projects utilizing more than one funding source.

Capital Projects Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables them to report to creditors and other grantors of Capital Projects Funds revenue that their requirements regarding the use of the revenue were fully satisfied.

CITY OF DEWITT, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUND
BUILDING AUTHORITY
JUNE 30, 2004

ASSETS	
Cash	\$ <u>14,882</u>
 FUND BALANCE	
Undesignated	\$ <u>14,882</u>

CITY OF DEWITT, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR CAPITAL PROJECTS FUND
BUILDING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2004

EXPENDITURES	
General government	\$ 849
Capital outlay	<u>280</u>
TOTAL EXPENDITURES	<u>1,129</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,129)
FUND BALANCE, JULY 1	<u>16,011</u>
FUND BALANCE, JUNE 30	<u>\$ 14,882</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominately self-supporting by user charges. The significant characteristic of Enterprise Funds is that the accounting system must make it possible to show whether the activity is operated at a profit or loss, similar to comparable private enterprise. Thus, the reports of Enterprise Funds are self-contained and creditors, legislators or the general public can evaluate the performance of the municipal enterprise on the same basis as they can the performance of investor-owned enterprises in the same industry.

The City operates its Water and Sewer Fund as an Enterprise Funds.

CITY OF DEWITT, MICHIGAN

BALANCE SHEET

ENTERPRISE FUND

WATER AND SEWER FUND

JUNE 30, 2004

ASSETS

CURRENT ASSETS	
Cash	\$ 456,228
Investments	277,000
Accounts receivable	
Current	21,027
Delinquent	5,823
Special assessments receivable	441,590
Special assessments receivable - delinquent	(645)
Accrued interest receivable	793
TOTAL CURRENT ASSETS	<u>1,201,816</u>
FIXED ASSETS	
Property, plant and equipment	6,604,271
Less: accumulated depreciation	<u>(2,276,643)</u>
NET FIXED ASSETS	<u>4,327,628</u>
OTHER ASSETS	
Investments in sewage treatment plant	<u>768,526</u>
TOTAL ASSETS	<u>\$ 6,297,970</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES	
Accounts payable	\$ 1,015
Accrued interest payable	1,874
Current portion of long-term debt	<u>47,930</u>
TOTAL CURRENT LIABILITIES	<u>50,819</u>
NONCURRENT LIABILITIES	
Revenue bonds payable	<u>52,099</u>
TOTAL LIABILITIES	<u>102,918</u>
FUND EQUITY	
Contributed capital	
Taxpayers	1,603,031
Schools	94,646
State	59,565
Federal	890,535
Subdivider	450,796
Municipality	<u>28,638</u>
TOTAL CONTRIBUTED CAPITAL	<u>3,127,211</u>
RETAINED EARNINGS	
Reserved at SCCMUA	691,644
Reserved for system replacement	
Unreserved	<u>2,376,197</u>
TOTAL RETAINED EARNINGS	<u>3,067,841</u>
TOTAL FUND EQUITY	<u>6,195,052</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 6,297,970</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2004

OPERATING REVENUES	\$ 455,823
Charges for services	76,269
Hook-up fees	6,250
Capital benefits	53,786
Other	<u>592,128</u>
TOTAL OPERATING REVENUES	<u>592,128</u>
OPERATING EXPENSES	35,960
Salaries	15,102
Fringe benefits	4,913
Operating supplies	168,046
Professional supplies	288,203
Sewer Authority expenses	1,176
Insurance and bonds	145,973
Depreciation	19,201
Repairs and maintenance	64,707
Equipment rental	14,706
Other	<u>757,987</u>
TOTAL OPERATING EXPENSES	<u>757,987</u>
NET OPERATING LOSS	<u>(165,859)</u>
NON-OPERATING REVENUES (EXPENSES)	11,694
Interest revenue	(8,673)
Interest expense	(10,605)
Loss on sale of fixed assets	19,797
Income from SCCMUA	<u>12,213</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>12,213</u>
NET LOSS BEFORE OPERATING TRANSFERS	(153,646)
TRANSFERS OUT	<u>(23,668)</u>
NET LOSS	<u>(177,314)</u>
ADD DEPRECIATION OF FIXED ASSETS ACQUIRED BY CAPITAL GRANTS THAT REDUCES CONTRIBUTED CAPITAL FROM CAPITAL GRANTS	<u>50,786</u>
NET DECREASE IN RETAINED EARNINGS	(126,528)
RETAINED EARNINGS, JULY 1	<u>3,194,369</u>
RETAINED EARNINGS, JUNE 30	<u>\$ 3,067,841</u>

CITY OF DEWITT, MICHIGAN
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	\$ (165,859)
Operating loss	
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	145,973
Loss on sale of assets	10,605
Decrease in current assets	52,191
Increase in current liabilities	1,571
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>44,481</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	<u>(23,668)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest payments	(8,673)
Loan payments	(43,762)
Purchase of capital assets	<u>(135,244)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(187,679)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in investments	86,909
Interest revenue	<u>11,694</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>98,603</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(68,263)
CASH AND CASH EQUIVALENTS, JULY 1	<u>524,491</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 456,228</u></u>

CITY OF DEWITT, MICHIGAN
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER
STATEMENT OF CASH FLOWS TO THE COMBINING BALANCE SHEET
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2004

	CASH	CASH EQUIVALENT	STATEMENT OF CASH FLOWS TOTAL
CASH AND CASH EQUIVALENTS, JULY 1	\$ 524,491	\$	\$ 524,491
NET DECREASE	<u>(68,263)</u>	<u></u>	<u>(68,263)</u>
CASH AND CASH EQUIVALENTS, JUNE 30	\$ <u>456,228</u>	\$ <u></u>	\$ <u>456,228</u>

PERMANENT FUND

The permanent fund exists to account for resources legally held in trust to be used for Cemetery Perpetual Care.

CITY OF DEWITT, MICHIGAN
BALANCE SHEET
PERMANENT FUND - CEMETERY PERPETUAL CARE
JUNE 30, 2004

CURRENT ASSETS

Cash	\$ <u>91,501</u>
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FIXED ASSETS

Property, plant and equipment	57,756
Less: accumulated depreciation	<u>(27,126)</u>

NET FIXED ASSETS	<u>30,630</u>
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TOTAL ASSETS	<u>\$ <u>122,131</u></u>
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FUND BALANCE

Reserved for perpetual care	<u>\$ <u>122,131</u></u>
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CITY OF DEWITT, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
PERMANENT FUND - CEMETERY PERPETUAL CARE
FOR THE YEAR ENDED JUNE 30, 2004

REVENUES	
Interest	\$ 971
Perptual care	<u>4,290</u>
TOTAL REVENUES	<u>5,261</u>
EXPENDITURES	
Miscellaneous	36
Depreciation	<u>5,760</u>
TOTAL EXPENDITURES	<u>5,796</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(535)
FUND BALANCE, JULY 1	<u>122,666</u>
FUND BALANCE, JUNE 30	<u>\$ 122,131</u>

SUPPLEMENTARY INFORMATION

CITY OF DEWITT, MICHIGAN
SCHEDULE OF BONDED DEBT OUTSTANDING
JUNE 30, 2004
CLINTON COUNTY SANITARY SEWAGE TREATMENT
AND DISPOSAL SYSTEM NO. 7 BONDS, SERIES B

Issue: \$750,000. The City of DeWitt is responsible for \$280,000 (37.33%), the remaining \$470,000 (62.67%) is the responsibility of Watertown Charter Township.

Dated: August 1, 1978

Redemption: Bonds are numbered consecutively in direct order of maturity from 1 to 150. Bonds numbering 52 to 150 are redeemable in inverse numerical order on or after May 1, 1984, at par plus a premium. Interest is payable semi-annually on May 1 and November 1.

BOND NUMBER	DUE DATE	INTEREST RATE	BONDS MATURING	ACTUAL INTEREST DUE	TOTAL AMOUNT DUE
121 - 130	5/1/05	6.50%	\$ 18,665	\$ 3,640	\$ 22,305
131 - 140	5/1/06	6.50	18,665	2,426	21,091
141 - 150	5/1/07	6.50	<u>18,665</u>	<u>1,214</u>	<u>19,879</u>
			<u>\$ 55,995</u>	<u>\$ 7,280</u>	<u>\$ 63,275</u>

CITY OF DEWITT, MICHIGAN
SCHEDULE OF BONDED DEBT OUTSTANDING - Continued
JUNE 30, 2004
1998 MICHIGAN TRANSPORTATION FUND BONDS

Issue: \$400,000.

Dated: March 1, 1998

Redemption: Bonds are numbered consecutively in direct order of redemption from 1 to 80. The bond is not subject to redemption prior to maturity. Interest is payable semi-annually on February 1 and August 1.

BOND NUMBER	DUE DATE	INTEREST RATE	BONDS MATURING	ACTUAL INTEREST DUE	TOTAL AMOUNT DUE
61-70	2/1/05	4.50%	\$ 50,000	\$ 4,525	\$ 54,525
71-80	2/1/06	4.55	<u>50,000</u>	<u>2,275</u>	<u>52,275</u>
			<u>\$ 100,000</u>	<u>\$ 6,800</u>	<u>\$ 106,800</u>

CITY OF DEWITT, MICHIGAN
SCHEDULE OF BONDED DEBT OUTSTANDING - Continued
JUNE 30, 2004
LIMITED TAX GENERAL OBLIGATION BUILDING AUTHORITY
PARK IMPROVEMENT BONDS, SERIES 1999

Issue: \$975,000.

Dated: March 3, 1999

Redemption: Building authority bonds mature on May 1 of each year to 2014, in amounts ranging from \$35,000 to \$70,000 per year. Interest on the bonds varies from 4.0% to 6.0% and is payable semi-annually on May 1 and November 1. Bonds maturing prior to May 1, 1997, are not subject to redemption prior to maturity.

Bonds maturing on or after May 1, 2009, are subject to redemption prior to maturity, at the option of the Authority, in such order as shall be determined by the Authority, with at least thirty days notice, at the par value thereof, and accrued interest to the date fixed for redemption.

Debt service requirements over the remaining term of the bond issue are summarized as follows:

BOND NUMBER	DUE DATE	INTEREST RATE	BONDS MATURING	ACTUAL INTEREST DUE	TOTAL AMOUNT DUE
R-6	5/1/05	4.00%	\$ 70,000	\$ 30,560	\$ 100,560
R-7	5/1/06	4.10	70,000	27,760	97,760
R-8	5/1/07	4.20	70,000	24,890	94,890
R-9	5/1/08	4.30	70,000	21,950	91,950
R-10	5/1/09	4.40	70,000	18,940	88,940
R-11	5/1/10	4.40	70,000	15,860	85,860
R-12	5/1/11	4.50	70,000	12,780	82,780
R-13	5/1/12	4.60	70,000	9,630	79,630
R-14	5/1/13	4.70	70,000	6,410	76,410
R-15	5/1/14	4.80	<u>65,000</u>	<u>3,120</u>	<u>68,120</u>
			<u>\$ 695,000</u>	<u>\$ 171,900</u>	<u>\$ 866,900</u>

Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of DeWitt
DeWitt, Michigan

We have audited the general purpose financial statements of the CITY OF DEWITT, MICHIGAN, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of DeWitt Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of DeWitt Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the City Council, management, and State and Federal Agencies. However, this report is a matter of public record and its distribution is not limited.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
October 15, 2004

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

David Layton, CPA
Principal
DaveLayton@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CCFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.com

Marjorie L. Bucklin, CPA
Manager
Marge@LNRCPA.com

Brenda L. Seelman, CPA
Manager
Brenda@LNRCPA.com

Annette B. Layton
Office Manager
Ann@LNRCPA.com



Layton & Richardson, P.C.

Certified Public Accountants

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

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Principal
DaveLayton@LNRCPA.com

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LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Mayor and City Council
City of DeWitt
DeWitt, Michigan

We have audited the financial statements of the CITY OF DEWITT, MICHIGAN for the year ended June 30, 2004, and have issued our report on those statements dated October 15, 2004. As part of the audit process, we tested and evaluated the system of internal accounting controls and the procedures used to record the financial transactions of the City of DeWitt, Michigan. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

Although we did not observe any material errors or weaknesses in accounting or financial management, the following recommendations are intended to improve the efficiency and effectiveness of control procedures:

PRIOR YEAR RECOMMENDATIONS

BUILDING AUTHORITY AND DOWNTOWN DEVELOPMENT AUTHORITY

The Building Authority and Downtown Development Authority invoices are not initialed when approved and cancelled when paid. This will prevent duplicate payment of invoices. **The Building Authority has implemented the recommendation. The Downtown Development Authority has not implemented the recommendation.**

Employee Records

The Michigan W-4 forms are not up to date. Employees should fill out new MI W-4 forms once every three years. This ensures that the correct employee payroll deductions are taking place. **This has been implemented.**

Utilities Receivables

A large adjustment had to be made at June 30, 2003 to balance the utilities receivables to the general ledger. We recommend that the utility receivable account be reconciled monthly. This will ensure better accuracy in the utility billing procedures. Due to the lack of segregation of duties related to utility billings, we are recommending that adjustments to utilities receivables above an amount determined by the board (this should not be more than \$200.00 per month) be approved by the City Administrator. **This has been implemented.**

CURRENT YEAR RECOMMENDATIONS

Payroll

We noted during the audit that the person who prints the payroll and stuffs the envelopes also handed out the payroll checks. We recommend that the person who prints the checks and stuffs the envelopes not hand out the payroll checks. This will help to ensure that unauthorized employees are not being paid.

Disbursements

We noted during the audit that some invoices were not approved before being paid. We recommend all

We are grateful to the officials and employees of the City of DeWitt, Michigan for the assistance and cooperation which we received during the audit, and we thank them.

Very truly yours,

Rayton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
October 15, 2004